

CSR Advisory

Green Future Foundation

Responsible Businesses – The CSR Benefits

Businesses no longer exist in the isolated world of products and markets. Responsible businesses find that it makes enormous business sense to take care of the environment and local communities.

The two ways in which such businesses are enhancing their image and reaping long-term benefits in the areas of recruitment, employee and customer loyalty, higher sales, supplier reliability and Government support is through:

- I. Minimising environmental impact of business actions
- II. Enhancing quality of environment as part of Corporate Social Responsibility

I. Minimising Environmental Impact

Adhering to the minimum legal requirements always places a company on the edge. Sometimes, environmental requirements can become a matter of definition and perception. Doing more than the Government asks them to do makes good business sense when it is the environment at stake. Once companies go beyond the demands of current requirements, they will be ready to meet the requirements of increasingly stringent new laws.

Damage to reputation is one of the worst events a company can face. Each such damage can take products off the shelves or strike them off the preferred supplier lists. By taking care of the environment, companies can turn more competitive and protect themselves from such unexpected events.

Environmental Audit: An understanding of how their business affects the local flora, fauna, habitat and the local community and their active involvement in preserving and enhancing them holds the key to long-term success. Efficient use of resources, including water and energy, minimizing pollution and waste, in addition to efficient waste disposal have a positive impact on the environment and on the business.

Each of these factors lowers costs; companies will attract and retain the increasingly aware and environmentally demanding customers. It also impacts the energy use and wastage from their products by customers, hazards or safety issues to employees and the environmental protection measures that suppliers undertake. Companies will gain the loyalty of employees, customers, suppliers and a positive public perception since they begin to view the company as a responsible entity, all of which strengthens the bottom line.

Environmental Audit of Suppliers: Companies are no longer shielded from the efficiency and environmental practices of their suppliers – they are the company's problem. It makes strong business sense to have suppliers evaluated for their environmental impact and work with them to minimize the

impact. They could have environmental impact studies done for their suppliers to ensure minimum wastage, effective waste disposal, minimal carbon emissions and so on.

In turn, supplier companies will find that reputed companies favour them as an environmentally responsible entity which becomes particularly relevant to them from their own customer point of view and public perception. In fact, many B2B and B2C customers insist on it.

Business Benefits: The business benefits of such an environment-linked approach to business are clear and direct:

- Minimises potential for disrepute.
- The status of preferred supplier is protected. Customers tend to remain loyal to companies that take such responsible actions.
- Companies will build a reputation that employees – present and future – value. When employees take pride in what their employer does and how they do it, they stay longer and are more productive.
- When companies meet regularity compliances, unpleasant surprises in the form of adverse reports and damage to reputation can be eliminated.
- Investors too look upon such companies favourably.
- Acting in the interests of the local flora, fauna and habitat which can also include involving the local community generates local good will and positive media reports. This in turn can bring about positive and strong relationships with local authorities. This allows smoother business functioning.

II. Enhancing Quality of Environment

Corporate Social responsibility includes actively enhancing the quality of environment – local, remote or across a larger geographical area – to minimize the impact a company's products have on the environment. For example, airlines offer the opportunity to customers to contribute towards planting a tree, thereby reducing the carbon print.

Responsible businesses recognize the direct link between their long-term growth and their ability to meet the requirements of the local communities as well as of the environment in general. Their active involvement can take many forms:

Sustainability of Environment: Companies can choose a specific area of protection and enhancement like the flora, fauna and habitat in the local region, for example, the mangroves on the West coast, or a specific flora or fauna across different regions, for example, tigers or Elephants across India. This in turn binds the long-term benefits of sustaining that particular domain or region with their corporate name, creating immense brand recognition and value. For example, companies that use extensive water resources take steps to protect this resource in local communities. Shipping companies could take on the responsibility of protecting sea life, either as a broad responsibility of a particular sea habitat or of a particular species.

Local Community: The local community can be a market as well as a source of employee recruitment. Companies can support a local charity or sponsor a local environment-related event, offer its support, expertise and employee participation in community projects with or without commercial benefit to themselves. It is known that water purifier companies involve themselves in large water purification plants in local communities working out arrangements that are of mutual benefit.

Business Benefits: Here too, the business benefits are many

- Customer, employee, supplier good will rises.
- If the company's involvement is local, while the positive publicity strengthens its image and presence, it also improves the neighbourhood and standard of living, providing a qualified recruitment pool.
- Employee motivation will be high. Highly motivated employees tend to be loyal and dedicated workers with lower employee turnover and absenteeism.
- In some cases, the local market for the company's products strengthens. Customer loyalty translates to higher sales, minimising marketing costs necessary for continuous new customer acquisition.
- A communication outreach programme helps publicise the CSR activity with employees, customers and the local community through positive, news-worthy stories. This in turn gives companies a competitive edge with the Government, the public sector and with NGOs. Further, it enhances the company's brand image and builds long-term value.
- Companies will be identified with their active concern for the health and welfare of not just human communities directly but also indirectly by protecting the flora, fauna and habitat which forms the community's environment and livelihood.